

Message Text

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TAGS: BTIO RO

SUBJECT: REQUEST FOR INTERPRETATION OF U S-ROMANIAN TAX CONVENTION

1. IN NOV 26 MEETING WITH AMBASSADOR, MARK L. RACZYNSKI,
MANAGING DIRECTOR, HOUDRY PROCESS CORPORATION (ENGLISH SUBSIDIARY)
RAISED POSSIBILITY OF DOUBLE TAXATION CONCERNING LICENSING
AGREEMENT HOUDRY NEGOTIATING WITH GOR.

2. WE APPRECIATE RECEIVING SOONEST INFORMATION FROM IRS AND ITS
OPINION ON FOLLOWING;

A. IS IT TRUE AS WE ASSUME FROM ART. 12 OF TAX CONVENTION
THAT A U S BASED FIRM WHICH SELLS A LICENSE TO ROMANIAN
ENTITY IS SUBJECT TO PROVISIONS OF THIS CONVENTION?

B. RACZYNSKI CONTENDS THAT BECAUSE OF VARYING INTERPRETATIONS
ON CALCULATION OF INCOME FROM ROYALTY AGREEMENT, THAT
HOUDRY DOES NOT OR WILL NOT RECEIVE A FULL OFFSET FROM
U S TAXES FOR THE TAXES IT PAYS TO ROMANIA BY VIRTUE
OF THE MANNER IN WHICH CORPORATE INCOME IS CALCULATED IN U S.
IS THIS CORRECT?
BARNES

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NNN

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